

## ROADS IN THE SOUTH.

THEIR EARNINGS AN INDICATION OF THE REVIVAL OF BUSINESS.

The Post Year Devoted Largely to Reorganization and Rehabilitation—The Chesapeake and Ohio Railway.

Prepared for the Dispatch under the personal supervision of John H. Williams, of the banking firm of John H. Williams & Sons.

The year 1894 was one of financial revolutions, of disaster, and of disintegration; that of 1895, while free from economic eruptions and disturbances, such as the great strikes, the labor uprisings, tariff changes, and uncertainty regarding our national currency, has been generally a year of recuperation and gradual recovery.

For the first six months of the year railroad earnings showed an immense falling off, as compared with the corresponding months of the year previous, but about July the tide seemed to turn, and, while the earnings of some roads have continued to decline, the earnings of our southern roads have been, for the most part, advancing, giving positive indications of the revival of business, which means a more active period of great railroad prosperity.

**A YEAR OF REHABILITATION.**

While 1894 was distinguished for the unprecedented number of railroad wrecks, which occurred, the past year has been marked by a period of reorganization and rehabilitation. More railroads have, in the past year, gone through the repair shop, been thoroughly overhauled, and are now running on a more efficient basis, under the guidance of fresh capital and fresh brains, than in any one year hitherto. The most conspicuous reorganization of 1894 was that of the Chesapeake and Ohio Railway, which, by the reorganization, not only the first large reorganization to be successfully carried through in the South, but the first in this country since the late war.

One most important feature of the present situation is a decidedly less antagonistic feeling on the part of legislators towards the railroads. This sentiment is showing itself not only in the halls of Congress, where the bill which makes "pooling" of the railroads possible is now being considered, but in the chambers of the state legislatures, where there is manifested a much more liberal, live-and-let-live policy than has been shown for years past. The law-making bodies have learned, by bitter experience, that the golden rule, and they see that in the legislative stranglehold of railroads the Wall-Street financiers are by no means the main sufferers.

**NOT MUCH BUILDING.**

That the energies of the people have been more and more directed towards the reorganization and rehabilitation of existing roads than to the construction of new lines, is shown by the fact that, according to the Census Bureau, there were only 1,919 miles of railroad built in 1894 in the whole United States, which is less than any one year since 1875, and the lowest since the war of the years 1894 and 1895.

The 4,400 miles of new mileage constructed in 1894, 4,500 miles are credited to twelve Southern States. In two Southern States (Kentucky and Maryland) no new mileage was built. Virginia reports five miles of new railroad. Arizona leads in new mileage with 190 miles. The average mileage constructed in the past ten years was 5,530 miles. The year in which railway construction reached its maximum of activity was 1887, when 12,858 miles of new mileage were built. We give below statements of the earnings and operations for the last fiscal year of various railroads diverging from Richmond, of which our people are largely interested.

**SOUTHERN RAILWAY COMPANY.**

About two years ago the task of untangling and of delivering the Southern Railway from the grasp of bankruptcy that great system of southern roads operating many thousands of miles of railway in the South and Gulf States, and which, by the Virginia Legislature, was placed under the management of the Virginia Railway Commission, which had been brought to its present desperate condition largely through unscrupulous methods of financial engineering, was assigned to the hands of Messrs. Drexel, Morgan & Co. of New York. On May 1, 1893, just before the bankruptcy of the Southern Railway Company, Messrs. Drexel, Morgan & Co. announced their scheme of reorganization, and on account of the desperate financial situation, very little progress was made with the reorganization until February 20th of that year, a modification of their original plan was announced by Messrs. Drexel, Morgan & Co. Its terms were that the company should be sold to and repurchased by a new corporation, known as "The Southern Railway Company," whose charter was granted by the Virginia Legislature, and which had purchased at foreclosure sales some 2,120 miles of road, and has assumed the operation of some 1,244 miles additional under leasehold and other arrangements, so that the company is now operating a total of about 4,400 miles of road. The new company has provided for the redemption of the old bonds, and has secured bonds, of which \$7,000,000 are to be reserved to retire outstanding obligations, and the old bonds, of which \$2,000,000 are to be issued at once, and \$2,000,000 are to be reserved for future extensions and additions to the company.

The plan also provided for the issuance of \$2,000,000 of new 5 per cent. preferred stock, and about \$12,000,000 of common stock. The fixed charges on the reorganized system will amount to about \$4,700,000 in 1895, and about \$5,000,000 in 1896.

The gross and net earnings of the 4,400 miles of road for the past five years, ending June 30th, according to a statement recently published by Messrs. Drexel, Morgan & Co., have been approximately as follows:

	Gross Earnings.	Net Earnings.
1891	\$11,775,000	\$2,225,000
1892	12,400,000	2,400,000
1893	12,400,000	2,400,000
1894	12,400,000	2,400,000
1895	12,400,000	2,400,000

Much credit is due Messrs. Drexel, Morgan & Co., for the great measure of success which has attended their splendid efforts in the upbuilding and reorganization of this important system, and which has been the result of their wise and judicious management, and their good judgment and astute the correctness of the theory upon which the plan has been carried out.

**THE CHESAPEAKE AND OHIO RAILWAY COMPANY.**

This company now operates and controls 1,362 miles of main line, 68 miles of second track, and 49 miles of sidings. The mileage of main track was increased 28 miles in the last fiscal year by construction of branches. For the year ending June 30, 1894, the gross earnings were \$10,040,000; net earnings, \$1,608,000; interest charges, \$2,102,000; surplus, \$14,000. Ratio operating expenses to gross earnings, 67 per cent.; average cost of maintenance of way, \$1.25 per mile; cost of fuel, \$1.25 per mile. The average tons of freight hauled per train mile increased from 252 tons in 1893 to 264 tons in 1894. The total freight hauled decreased from 511 miles to 475 miles.

The decrease during the year in movement of coal, lumber, and iron, is shown at \$16,000 in 1894, involving a loss of over three quarters of a million dollars in gross earnings. The reduction in output of coal and coke was \$2,250,000. That the company has been able to earn more than its fixed charges in the past unusually severe year is gratifying, and it is not likely that the company will be put to such a strain as it has just gone through in many years to come. The coal strikes along the line of the road during the last fiscal year, lasting altogether nearly one hundred days, added to the unfortunate effect of the panic in reducing the company's earnings.

The gross earnings of the Chesapeake and Ohio company for the five months ending December 1, 1894, were \$4,300,000; net earnings, \$600,000; interest charges, \$1,000,000; surplus, \$14,000. Ratio operating expenses to gross earnings, 67 per cent.; average cost of maintenance of way, \$1.25 per mile; cost of fuel, \$1.25 per mile. The average tons of freight hauled per train mile increased from 252 tons in 1893 to 264 tons in 1894. The total freight hauled decreased from 511 miles to 475 miles.

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